



CHRIS HANI
DISTRICT MUNICIPALITY

SUSTAINING GROWTH
THROUGH OUR PEOPLE

FRAUD PREVENTION PLAN

Table of contents

TERMS AND ABBREVIATIONS.....	3
SECTION I: INTRODUCTION	4
SECTION II: COMPONENTS OF THE PLAN	5
SECTION III: APPROACH TO FRAUD PREVENTION.....	7
FOCUS ON THE ORGANISATION.....	8
<i>Codes of Conduct for Municipal Employees and Councilors</i>	<i>8</i>
<i>Systems, policies and procedures.....</i>	<i>9</i>
<i>Human Resources – Employment Practices.....</i>	<i>10</i>
<i>Financial Systems and Control</i>	<i>11</i>
<i>Discipline.....</i>	<i>12</i>
<i>Procurement.....</i>	<i>13</i>
<i>Risk Management and Assessment.....</i>	<i>15</i>
<i>Fraud Detection Reviews.....</i>	<i>15</i>
<i>Internal and External Audit.....</i>	<i>15</i>
<i>Physical and Information Security.....</i>	<i>16</i>
<i>Physical Security.....</i>	<i>16</i>
<i>Information Security</i>	<i>16</i>
FOCUS ON EMPLOYEES.....	17
FOCUS ON OTHER STAKEHOLDERS.....	17
<i>Trading Partners.....</i>	<i>17</i>
<i>Employee representative organisations.....</i>	<i>17</i>
<i>Cooperative Governance and Traditional Affairs.....</i>	<i>18</i>
SALGA	18
<i>The general public.....</i>	<i>18</i>
ENFORCEMENT.....	19
IMPLEMENTATION AND AWARENESS.....	21
<i>Monitoring.....</i>	<i>21</i>
<i>Creating awareness.....</i>	<i>21</i>
<i>Education</i>	<i>21</i>
<i>Communication</i>	<i>21</i>
<i>Implementation structure</i>	<i>21</i>

Fraud Prevention Plan for Chris Hani

TERMS AND ABBREVIATIONS

Throughout this document, unless otherwise stated, the words in the first column below have the meanings stated opposite them in the second column (and cognate expressions shall bear corresponding meanings):

Chris Hani	Chris Hani District Municipality
Constitution	Constitution of the Republic of South Africa, Act 106 of 1996, As adopted on 08 May 1996 and amended on 11 October 1996 by the Constitutional Assembly
Demarcation Act	Local Government Municipal Demarcation Act, No 27 of 1998
COGTA	Cooperative Governance and Traditional Affairs
Fraud	Shall mean “ potential or actual misrepresentation of facts to deliberately deceive to the actual or potential detriment of another in order to secure an unfair or unlawful gain / benefit”
Corruption	Shall mean “ involves a corruptor (gives / offers to give) and a corruptee (receives/ offer to accept) any gratification for him/ herself or for another person where the purpose is to act dishonestly or illegally
LGAS	Local Government Anti-Corruption Strategy
MFMA	Municipal Finance Management Act, No.56 of 2003
Municipal Manager	A person appointed in terms of section 82 (1) of the Structures Act
Plan	Fraud Prevention Plan for Chris Hani District Municipality (“Chris Hani”), dated May 2008
R.S.A	Republic of South Africa
SALGA	South African Local Government Association
SARS	South African Revenue Services
Structures Act	Municipal Structures Act, No 17 of 1998
Systems Act	Municipal Systems Act 32, No of 2000

SECTION I: INTRODUCTION

- 1.1 Chris Hani District Municipality subscribes to the principles of good corporate governance, which requires conducting the business in an honest and transparent fashion.
- 1.2 Consequently the Municipality is committed to fighting Corruption and fraudulent behavior at all levels within the organisation.
- 1.3 The Plan is premised on the organization's core ethical values driving the business of Municipality, the development of its systems, policies and procedures, interactions with ratepayers, the public and other stakeholders, and even decision-making by individual managers representing the organisation. This means that in practice all departments and other business units of Chris Hani and even external stakeholders must be guided by the Plan as the point of reference for their conduct in relation to the Municipality
- 1.4 In addition to promoting ethical conduct within Chris Hani District Municipality, the Plan is also intended to assist in preventing, detecting, investigating and sanctioning fraud and corruption.
- 1.5 This dynamic document details the steps, which have been, and will continually be taken by Chris Hani to promote ethical conduct and address fraud and corruption.

Policy Stance

- 1.6 The policy of Chris Hani District Municipality is zero tolerance to fraud and corruption. In addition, all fraud and corruption will be investigated and followed up by the application of all remedies available within the full extent of the law and the implementation of appropriate prevention and detection controls. These prevention controls include the existing financial and other controls and checking mechanisms as prescribed in the systems, policies and procedures of the Municipality
- 1.7 The efficient application of instructions contained in the policies and procedures of Chris Hani, is one of the most important duties to be applied by every employee in the execution of their daily tasks.

Fraud Prevention Plan for Chris Hani

What should an employee do if he/she suspects fraud and corruption?

- i) 1.8 It is the responsibility of all employees to immediately report all allegations or incidents of fraud and corruption. The report can be made to Legal advisor whose occupation involves giving of legal advice or with the object of and in the course of obtaining legal advice. the Municipal Manager Chief Risk Officer,
- ii) All managers are responsible for the detection, prevention and investigation of fraud and corruption
- iii) Should employees wish to report allegations of fraud and corruption anonymously, they can contact Anti-corruption hotline.

What should a member of the public or providers of goods and/or services do if they suspect fraud and corruption?

Chris Hani District Municipality encourages members of the public or providers of goods and/or services who suspect fraud and corruption to contact the Municipal Manager, the Mayor and / or Anti-corruption hotline

How will allegations of fraud and corruption be dealt with?

For issues raised by employees, ratepayers, members of the public or providers of goods and/or services, the action taken will depend on the nature of the concern. The matters raised will be screened and evaluated and may subsequently:

- Be investigated internally; or
- Be referred to another law enforcement agency.

- Appoint service providers

- Any organ of the state offering investigating services

- 1.13 Any fraud and corruption committed by an employee or any other person will be pursued by thorough investigation and to the full extent of the law, including (where appropriate) consideration of:
- a) In case of employees, taking disciplinary action within a reasonable period of time after the incident;
 - b) Instituting civil action to recover losses;
 - c) Initiating criminal prosecution by reporting the matter to the SAPS or any other relevant law enforcement agency; and
 - d) Any other appropriate and legal remedy available.

Fraud Prevention Plan for Chris Hani

Recovery of Losses

The Municipal Manager is required to ensure that losses or damages suffered by the Municipality as a result of all reported acts committed or omitted by an employee, ratepayer or any other person are recovered from such an employee, ratepayer or other person if he or she is found to be liable for such losses. ***Feedback to reporters of fraud***

The Municipal Manager will, upon receiving a report of fraud / corruption from an external person:

- Acknowledge that the concern has been received;
- Indicate how he proposes to deal with the matter and whether any initial enquiries have been made;
- Give an estimate of how long it will take to provide a final response; and
- Inform them whether any further investigations will take place, and if not, why not.

Confidentiality

All information relating to fraud and corruption that is received and investigated will be treated with confidentiality. The progression of investigations will be handled in a confidential manner and will not be disclosed or discussed with any person(s) other than those who have a legitimate right to such information. This is important in order to avoid harming the reputations of suspected persons who are subsequently found innocent of wrongful conduct.

Media

No person is authorised to supply any information with regard to allegations or incidents of fraud and corruption to the media without the express permission of the Municipal Manager.

Protection of Whistle Blowers

An employee who reports suspected fraud and/or corruption may remain anonymous should he/she so desire. Concerns expressed anonymously are difficult to investigate; nevertheless they will be followed up at the discretion of Chris Hani District Municipality. This discretion will be applied by taking into account the following:

Fraud Prevention Plan for Chris Hani

- the seriousness of the issue raised;
- the credibility of the concern; and
- the likelihood of confirming the allegation.

No person will suffer any penalty or retribution for good faith reporting of any suspected or actual incident of fraud and corruption which occurred within Chris Hani. This may include:

- **Harassment or victimisation:** The Municipality acknowledges the fact that the decision to report a concern can be a difficult one to make, not least because of fear of reprisal from those responsible for the irregularity. Chris Hani District Municipality will not tolerate harassment or victimisation and will take action to protect employees when they raise a concern in good faith. This does not mean that if an employee is already the subject of disciplinary or other action, that action will be halted as a result of their whistle blowing.
- **Confidentiality:** the Municipality will do its best to protect an individual's identity when he/she raises a concern and does not want their identity to be disclosed. It must be appreciated, however, that the investigation process may reveal the source of the information and a statement by the employee may be required as part of the evidence.

All managers should discourage employees or other persons from making allegations, which are false and made with malicious intentions. Where such allegations are discovered, the person who made the allegations must be subjected to firm disciplinary, or other appropriate action.

SECTION II: COMPONENTS OF THE PLAN

2.1 The **main principles** upon which this Plan of Chris Hani District Municipality is based on and aligned to the LGAS and includes the following:

- Creating a culture which is ethical and intolerant to fraud and corruption;
- Deterrence of fraud and corruption;
- Preventing fraud and corruption which cannot be deterred;
- Detection of fraud and corruption;
- Investigating detected fraud and corruption;
- Taking appropriate action in the event of such irregularities, e.g. disciplinary action, recovery of losses, prosecution, etcetera; and
- Applying sanctions, that includes blacklisting and prohibition from further employment.

2.2 The above is not intended to detract from the premise that all the components are equally essential for the successful implementation of the Plan. The **components of the Plan** for Chris Hani are the following:

- Focus on the Organisation
- Focus on Employees and councilors
- Focus on other stakeholders

Fraud Prevention Plan for Chris Hani

- Enforcement
- Implementation

SECTION III: APPROACH TO FRAUD

PREVENTION

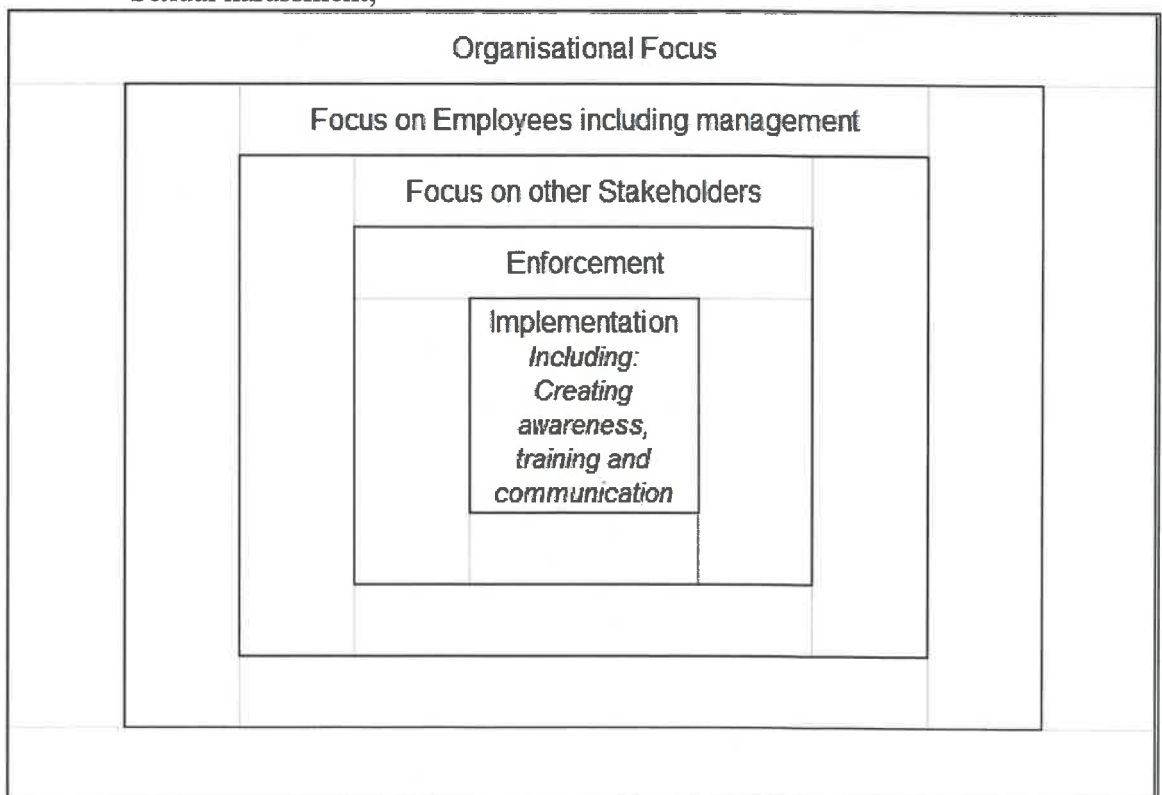
The approach to fraud prevention in Chris Hani can be summarized as follows:

FOCUS ON THE ORGANISATION

Codes of Conduct for Municipal Employees and Councilors

3.1.1 In terms of Section 2 of the Systems Act, the Code of Conduct for Municipal employees contains specific conduct standards categorized as follows:

- General Conduct;
- Commitment to serving the public interest;
- Personal gain;
- Disclosure of benefits;
- Unauthorized disclosure of information;
- Undue influence;
- Rewards, gifts and favor's;
- Council property;
- Payment of arrears;
- Participation in elections;
- Sexual harassment;



Fraud Prevention Plan for Chris Hani

Reporting duty of staff members; and

- Breaches of Code.

3.1.2 In terms of Section 1 of the Systems Act, the Code of Conduct for Councilors contains the following categories:

- General conduct of councilors (Cross reference to section of Act)
- Attendance at meetings;
- Disclosure of interests;
- Personal gain;
- Declaration of interests;
- Full-time councilors;
- Rewards, gifts and favor's;
- Unauthorised disclosure of information;
- Intervention in administration;
- Council property;
- Duty of chairpersons of municipal councils;
- Breaches of Code; and
- Application of Code to traditional leaders.

3.1.3 A gifts policy should be implemented in order to ensure that both the acceptance and offering of business courtesies, including gifts, by all employees of Chris Hani occurs only within the ethical standards as prescribed by Chris Hani.

3.1.4 The development of a robust system for the declaration of private business interests and actual or potential conflicts of interest by all employees and keeping of a centralised record thereof must be developed.

Systems, policies and procedures

3.1.5 Chris Hani has a number of systems, policies and procedures designed to ensure compliance with specific laws and regulations and basic internal control.

3.1.6 All employees and other stakeholders are expected to comply with the applicable policies and procedures. A fundamental risk in this area is the lack of knowledge, awareness, effective communication and training relating to prevailing systems, policies and procedures.

3.1.7 Non-compliance with policies and procedures is a risk with the potential to seriously impact the success of the Plan of Chris Hani. This will be addressed by developing clearly defined communication and training strategies to create awareness of all policies and procedures in order to ensure that all employees are made aware of, and adequately trained in the implementation of policies and procedures relevant to their duties and responsibilities, e.g. provisions for all

Fraud Prevention Plan for Chris Hani

employees to acknowledge, in writing, that they have read the policies and procedures applicable to their duties, have undergone relevant training and/or are aware of these policies and procedures, etc.

- 3.1.8 A structured monitoring mechanism will be developed for the keeping of proper records of the policies and procedures that are being updated, and of new policies and procedures that are being developed in order to set clear targets and monitor progress.

Human Resources – Employment Practices

- 3.1.9 Chris Hani is committed to developing human resources systems, policies and procedures, which incorporate fraud and corruption prevention practices. There is a risk of poor implementation of its human resource systems, policies and procedures and Chris Hani undertakes testing thereof during internal audits in which control shortcomings are subsequently addressed.

- 3.1.10 Employee focus on anti-fraud and anti-corruption measures should be visible from the point of advertising a vacant post, recruitment, specific employment conditions, maintaining high employee morale, performance management and even exit procedures upon resignation or retirement. The approaches indicated below are key to Chris Hani's efforts in this regard.

- **Advertising posts:** The inclusion of specific provisions when advertising posts to provide an indication to applicants that only people with the highest levels of personal integrity will be considered and that submission to appropriate pre-employment screening processes are obligatory for consideration in any post.
- **Pre-employment screening and probity:** Chris Hani intends ensuring that pre-employment screening procedures are applicable to all employees, regardless of level, including employees acting in specific positions, seconded employees and temporary and contract workers. Relevant probity will be included in all employee screening processes.
- **Probation:** Compulsory probationary periods should be applicable to all full-time employees. This provision will be extended to include seconded employees and temporary and contract workers. Relevant vetting will again be considered for employees on probation, during probation and prior to their final appointment in view of the long duration of the probationary period.
- **Ongoing financial disclosure and lifestyle audits:** Senior managers will be obliged to declare specific personal assets and private business interests.
- **Employee induction programs:** Employee induction is an opportunity to introduce employees to the culture and ethos of the organization. Efforts will be made to ensure that organizational strategy, business ethics and conduct

Fraud Prevention Plan for Chris Hani

standards are included in employee induction. Specific steps will also be developed to include seconded employees, interns and temporary or contract workers in relevant aspects of induction programs.

- ***Obligatory leave periods:*** In order to limit the risk of over-worked employees who could become lackadaisical leading to non-compliance to internal control and to further limit the risk of fraud and corruption Chris Hani will compel all employees to take annual leave. This control also limits the risk of unethical individuals monopolizing specific tasks.
- Managers will be encouraged to ensure that appropriate controls, e.g. appropriate scrutiny and supervision, are put in place in instances where employees do not take leave for extended periods of time due to work commitments.
- ***Exit procedures for employees and control over assets:*** The exit procedures for employees leaving Chris Hani usually require the return of assets and an exit interview. Steps will be taken to ensure that specific follow-up time frames are set to encourage managers to apply the requirement related to the return of assets more promptly.
- Chris Hani will ensure that an exit interview process is in place which includes the assessment of the perceptions of the business ethics and conduct standards within the organisation. This will assist in identifying areas for improvement.

Discipline

3.1.11 Chris Hani will be consistent and efficient in its application of the disciplinary measures. Additional measures, which will be considered include:

- Communication of specific disciplinary standards and forbidden conduct;
- Introducing a system where the application of disciplinary measures is applied consistently;
- Steps for ongoing training of managers in the application of disciplinary measures;
- Where managers are found to be inconsistent and/or inefficient in the application of discipline, Chris Hani will consider firm action; and
- Communication of the outcomes and sanctions of disciplinary actions, including lessons learned. The successful achievement of these initiatives, together with their communication is expected to have a deterrent effect.

Financial Systems and Control

3.1.12 Appropriate finance policies and procedures are also necessary to ensure appropriate internal control over finance management and to limit fraud and corruption risks.

Fraud Prevention Plan for Chris Hani

The effectiveness of the existing finance policies and procedures will also be tested during the course of internal audits and shortcomings are addressed.

- 3.1.13 The Council of Chris Hani must approve an annual budget for Chris Hani before the start of the financial year. Chris Hani may only incur expenditure in terms of an approved budget and within limits of the amounts appropriated for the different votes in an approved budget.
- 3.1.14 The Municipal Manager is regarded as the accounting officer for Chris Hani. Therefore the Municipal Manager should ensure that the financial systems and controls that are in place in Chris Hani address the following:
- Effective, efficient and economic use of resources;
 - Proper record keeping of the financial affairs of the Municipality;
 - Effective, efficient and transparent systems of financial, risk management and internal control;
 - Effective, efficient and transparent systems of internal audit;
 - Prevention of irregular or fruitless and wasteful expenditure; and
 - Institution of disciplinary or, when appropriate, criminal proceedings against employees who have committed an act of financial misconduct or other offences including fraud and corruption.
- 3.1.15 Further, the Municipal Manager must ensure that an effective system of expenditure control is in place. According to the MFMA, the accounting officer of Chris Hani must report to the South African Police Service all cases of alleged theft and fraud that occurred in the Municipality.
- 3.1.16 Head of Departments, senior management and other officials of Chris Hani must assist the Municipal Manager in coordinating the financial systems and controls within Chris Hani.
- 3.1.17 The finance policies, procedures and other prescripts of Chris Hani prescribe various controls, which, if effectively implemented, would limit fraud and corruption within Chris Hani. These controls may be categorised as follows,
- (a) Prevention controls, which is further subdivided into:
 - i. Authorisation Controls which require that all transactions must be authorised or approved by an appropriate responsible person and that the limits for these authorisation's are specified in the delegations of authority of Chris Hani.
 - ii. Physical Controls which are concerned mainly with the custody of assets and involve procedures and security measures designed to ensure that access to assets is limited to authorised personnel.
 - (b) Detection controls, which is further subdivided into:
 - Arithmetic and accounting controls, which are basic controls within the recording function which ensure that transactions to be recorded and processed have been authorised, are complete, are correctly recorded, and accurately processed. Such controls include checking arithmetical accuracy of records, the maintenance and checking of

Fraud Prevention Plan for Chris Hani

totals, reconciliation, control accounts, and accounting for documents.

- i. ii. Physical controls, which relate to the security of records and are similar to preventive controls in that they are also designed to limit access.
 - iii. Supervision, by responsible officials of day to-day transactions and the recording thereof.
 - iv. Management Information which relates to the review of management accounts and budgetary controls. These controls are normally exercised by management outside the day-to-day routine of the system.
- (c) Segregation of duties
- i. One of the primary means of control is the separation of those responsibilities or duties that would, if combined, enable one individual to record and process a complete transaction, thereby providing him/her with the opportunity to manipulate the transaction irregularly and commit fraud and corruption.
 - ii. Segregation of duties reduces the risk of intentional manipulation or error and increases the element of checking.

Functions that should be separated include those of authorisation, execution, custody, recording, and, in the case of computer-based accounting systems, systems development and daily operations.

- iii. Placed in context with fraud and corruption prevention, segregation of duties lies in separating either the authorisation or the custodial function from the checking function.

3.1.18 Despite the existence of policies and procedures to address internal control, deficiencies such as ineffective application of policies and procedures resulting from lack of training, expertise, knowledge and capacity has the potential to lead to increased incidence of fraud and corruption.

3.1.19 Chris Hani will continue to initiate steps to address the problem of lack of training, expertise and knowledge in systems, policies and procedures to improve internal control. Areas of weakness will be identified during audits and risk assessments.

3.1.20 Furthermore, Chris Hani will also continue to re-emphasise to all supervisors that consistent compliance by all employees with internal control is one of the fundamental controls in place to prevent fraud and corruption. Managers will be encouraged to recognise that internal control shortcomings identified during the course of audits are, in many instances, purely symptoms and that they should strive to identify and address the causes of these internal control weaknesses, in addition to addressing the control weaknesses.

3.1.21 Where managers do not comply with basic internal controls, e.g. non-adherence to the delegation of authority limits, firm action(s) will be considered.

Fraud Prevention Plan for Chris Hani

Procurement

- 3.1.22 The MFMA requires every municipality to have a procurement policy that is fair, equitable, transparent, competitive and cost effective.
- 3.1.23 Further, the MFMA stipulates that the procurement policy of Chris Hani must at least address the following aspects:
- The barring of persons from participating in tendering or other bidding processes that have:
 - Been convicted of fraud or corruption during the past five years;
 - Willfully neglected, reneged on or failed to comply with government contract during the past five years; and
 - Whose tax matters are not cleared by SARS
- 3.1.24 The Municipal Manager of Chris Hani must implement the procurement policy and take all responsible steps to ensure that proper mechanism and separation of duties in the procurement system are in place to minimize the risk of fraud, corruption, favoritism and unfair and irregular practices.
- 3.1.25 At a minimum, the procurement policy of Chris Hani should contain the following antifraud and anti-corruption provisions:
- The range of supply chain management processes that Chris Hani may use, e.g., tenders, quotations, etc.
 - When a particular process must be used;
 - Procedures for each type of process;
 - Open and transparent pre-qualification processes for tenders and other bids;
 - Competitive bidding processes;
 - Bid documentation, advertising of and invitations for contracts;
 - Procedures for:
 - the opening, registering and recording of bids in the presence of interested parties;
 - the evaluation of bids;
 - negotiating the final terms of the contracts; and
 - the approval of bids;
 - Screening processes and security clearances for prospective contractors on tenders or other bids above a prescribed value;
 - Compulsory disclosure of conflicts of interests;
 - The barring of persons from participating in tendering or other bidding processes who have:
 - been convicted of fraud or corruption during the past five years;
 - willfully neglected, reneged on or failed to comply with a government contract during the past five years; and
 - tax matters that are not cleared with SARS;
 - Any additional measures for:
 - combating fraud, corruption, favoritism, and unfair and irregular practices in Chris Hani's supply chain management; and

Fraud Prevention Plan for Chris Hani

- promoting ethics of officials and other role players involved in Chris Hani's supply chain management.

Risk Management and Assessment

- 3.1.36 In order to identify and address risks facing Chris Hani, a risk assessment will be performed on an annual basis. This process will be complimented by the specific identification of existing controls to mitigate risks identified. Additional actions to further mitigate these risks will culminate in a risk management plan.
- 3.1.37 Presentations to employees of Chris Hani will be conducted in order to ensure that they have a more detailed understanding of the fraud and corruption risks facing Chris Hani and the areas wherein these risks exist, thus enhancing the prospect of detecting irregularities earlier.

Fraud Detection Reviews

- 3.1.38 Chris Hani will perform specific detection reviews in areas, which are at high risk of unethical conduct, fraud and corruption on a regular basis. This will include the conducting of presentations to employees, including managers, to ensure that they have a more detailed understanding of the risks associated with these areas, thus also enhancing the prospect of detecting irregularities earlier. These include:
- Recruitment of staff;
 - Procurement, e.g., emergency procurement, sole suppliers, etc.
 - Financial Systems and Control, e.g. payment of suppliers, receipt and banking of revenue received.

Internal and External Audit

- 3.1.39 The MFMA stipulates that a Municipality must maintain a system of internal audit under the control and direction of an audit committee. Furthermore, the internal audit function of Chris Hani is required to report on matters relating to:
- Internal Control;
 - Accounting procedures and practices;
 - Risk and risk management;
 - Loss control; and
 - Compliance with applicable legislation.
- 3.1.41 The anti-corruption capacity within Chris Hani will be responsible for the investigation of allegations of fraud and corruption that is brought to its attention. Additionally, it will support the risk management procedures from a fraud risk

Fraud Prevention Plan for Chris Hani

Physical and Information Security

Physical Security

- 3.1.45 Chris Hani's main physical security threat arises in the area of control over its physical assets, facilities and employees. Security personnel and access systems are deployed to mitigate this threat. However, control over security personnel and access systems should continuously be reviewed for adequacy.
- 3.1.46 Chris Hani will also consider conducting a regular detailed review of the physical security arrangements at its offices and other sites and improve weaknesses identified. Specific focus areas will be physical security over infrastructure, assets and staff.
- 3.1.47 Furthermore, Chris Hani will continue to pursue steps to ensure adequate security over its people, confidential information and information systems.

Information Security

- 3.1.48 Chris Hani will ensure that all employees are sensitized on a regular basis to the fraud and corruption risks associated with information security and the utilization of computer resources, in particular – access control, and ensure that systems are developed to limit the risk of manipulation of computerized data.
- 3.1.49 Communiqués training will be provided to all employees on the management of intellectual property and confidential information to limit the risk of manipulation of information.
- 3.1.50 Regular communiqués will be forwarded to employees pointing out security policies, with a particular emphasis on e-mail and Internet usage and the implications (e.g. disciplinary action) of abusing these and other computer related facilities. Where employees are found to have infringed on prevailing policy in this regard, disciplinary action will be taken.
- 3.1.51 Regular reviews of information and computer security will also be considered. Weaknesses identified during these reviews will be addressed.

FOCUS ON EMPLOYEES

3.1.52 Key ambassadors for the successful implementation of the Plan for Chris Hani are its employees. In essence, this means that their conduct often forms the base upon which Chris Hani as an organisation is judged. Chris Hani employees must therefore demonstrate behavior beyond reproach in the execution of their duties.

3.1.53 Anti-fraud and anti-corruption measures to address employees as referred to in paragraphs 3.1.1, 3.1.9, 3.1.10 and 3.1.11 above will be implemented by Chris Hani.

FOCUS ON OTHER STAKEHOLDERS

3.1.54 Chris Hani has several other stakeholders with whom it interacts. These are indicated below:

- Trading partners, e.g. suppliers, contractors, consultants;
- Employee representative organisations;
- COGTA;
- SALGA; and
- The general public.

3.1.55 All stakeholders with whom Chris Hani interacts are expected to abide by the principles contained in the Plan. Although Chris Hani has limited legal rights to enforce these principles on external stakeholders, it can exercise moral persuasion to gain compliance to the principles contained in the Plan or choose not to enter into relationships with stakeholders who do not comply.

Trading Partners

3.1.56 It is a common perception that employees face the greatest challenge to their integrity in the form of enticement to accept bribes from unethical suppliers, contractors, and consultants. Furthermore, these trading partners are also often viewed as untrustworthy in delivery of goods and/or services.

3.1.57 Approaches to address the risk of fraud and corruption relating to trading partners are the following:

- Appropriate terms and conditions in invitations to propose for services relating to the standards of business ethics expected by Chris Hani;

Fraud Prevention Plan for Chris Hani

- Appropriate pre-award screening of credentials supplied by contractors;
- Provisions for the compulsory declaration of actual and/or potential conflicts of interest both by suppliers and employees of Chris Hani dealing with these suppliers;
- Appropriate contract terms and conditions indicating the conduct expected by Chris Hani;
- Ongoing communication of these standards;
- Sound project management;
- Monitoring and evaluation of breaches;
- Taking sound action in the event of breaches such as:
 - Prosecution loss recovery and Prosecution of loss recovery and
 - Placing of appropriate prohibitions on future contracts and cancelation of existing contracts.

Employee representative organizations

3.1.58 Chris Hani is committed to complying with the resolutions of recognition agreements with trade unions. Nonetheless, it is also expected of trade union representatives to comply with the principles of the Plan of Chris Hani. Trade unions will also be consulted prior to the finalization of the Plan.

COPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

3.1.59 COGTA is a national department and its primary function is to develop policies and legislation with regard to provinces and local government, and to monitor the implementation of the Municipal Structures Act, Municipal Demarcation Act, Systems Act as well as the MFMA. Efforts will be made to ensure that this stakeholder is also made aware of the principles contained in the Plan and the conduct encouraged by Chris Hani.

SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

3.1.60 SALGA is an organization mandated by the South African constitution to assist in the transformation of Local Government in South Africa. SALGA plays a core role in areas related to local government transformation and as a national representative of the local government sector and its employees. Chris Hani will also ensure that SALGA is made aware of the Plan and appropriately compliment it when dealing with Chris Hani.

Fraud Prevention Plan for Chris Hani

The general public

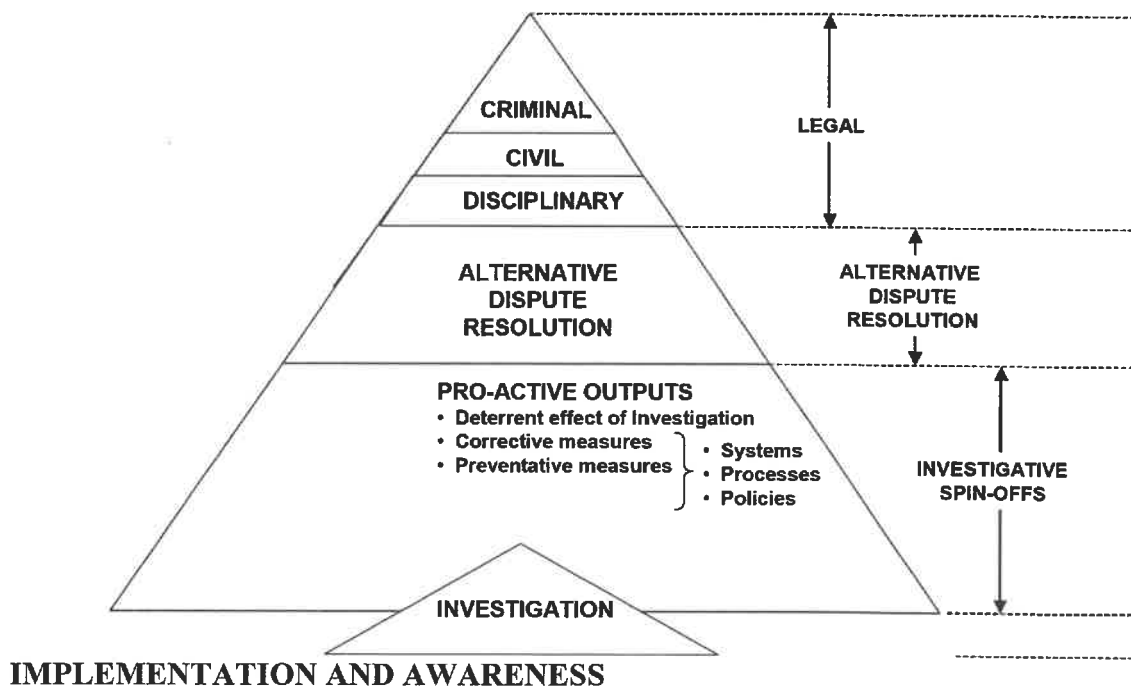
3.1.61 Members of the general public will also be made aware of Chris Hani's commitment to fraud prevention and encouraged, through awareness programs, to report irregularities affecting Chris Hani.

ENFORCEMENT

3.1.62 No Fraud Prevention Plan would be complete without enforcement forming an integral component for instances where fraud and corruption occur.

Reporting and Monitoring of fraud and corruption

3.1.64 Parallel to the above enforcement approaches, is the task of fixing of controls to limit future recurrence of fraud and corruption in the event of breaches. The resolution mechanisms, which can be pursued in enforcement are illustrated below.



3.1.65 The Plan will be reviewed on an annual basis, whilst progress with the implementation of the various components will be reviewed on a quarterly basis. In the latter regard, specific priorities stemming from the Plan, actions to be taken, responsible persons and feedback dates relating to progress made will also be set.

Fraud Prevention Plan for Chris Hani

Monitoring

3.1.66 Chris Hani will ensure that a fraud and corruption information system is developed for the following purposes:

- (a) Recording all allegations;
- (b) Tracking progress with the management of allegations;
- (c) To facilitate the early identification of systemic weaknesses and recurring risks, and inform managers and employees of systemic weaknesses/risks; and
- (d) Provide feedback to employees and other whistle blowers on the management of allegations.

Creating awareness

3.1.67 This component of the Plan comprises two areas, namely education and communication.

Education

3.1.68 Formal awareness presentations will be conducted for employees of Chris Hani in planned workshops. The ongoing creating of awareness amongst all employees is, however, the responsibility of all managers. Approaches to create awareness amongst employees will address the following issues:

- Employee awareness and the application of professional ethics in their work environment;
- Employee awareness of the current systems, policies and procedures relating fraud and corruption and their rights should they blow the whistle;
- Encouraging employees to blow the whistle on fraud and corruption within their work environments; and
- Encouraging employees to understand specific fraud and corruption related risks to which Chris Hani may be exposed, thus enhancing the prospect of detecting irregularities earlier.

Communication

3.1.69 The objective of communication is to further create awareness amongst employees, the public and other stakeholders, of the Plan to facilitate a culture where all stakeholders strive to contribute towards making it a success. This will increase the prospect of fraud and corruption being reported and improve Chris Hani's prevention and detection ability.

Fraud Prevention Plan for Chris Hani

3.1.70 Communication approaches that will be considered by Chris Hani are the following:

- An official launch for the Plan aimed at all stakeholders;
- Posters, newsletters and pamphlets to advertise the Codes of Conduct for staff members and Councilors, aimed at employees, the public and other stakeholders;
- A suggestion box for employees and other stakeholders to make submissions which could enhance the further development of the Plan;
- Ensuring that ethics promotion is a fixed agenda item in meetings;
- Signing of declarations of commitment by all employees to the Plan;
- Endorsements of other correspondence directed at providers of goods and/or services with pro-ethics and anti-fraud and anti-corruption messages; and
- Screensavers on computers with appropriate pro-ethics and anti-fraud and corruption messages; and
- Publishing the Plan and successes in its implementation in the Annual Report of Chris Hani.

Implementation structure

3.1.71 Chris Hani will consider the establishment of a Fraud Prevention Committee whose responsibility will include the implementation of the Plan. This Committee will include champions from all faculties and other business units. The terms of reference of this team will include the following in relation to the Plan:

- Securing buy-in from all stakeholders;
- Information sharing;
- Ongoing identification of weaknesses in systems and solutions;
- Creating awareness and ensuring adequate training and education to promote the Plan; and
- Assessing progress and ongoing maintenance and review

4. Effective date

The effective date of this policy, or any amendments thereto, shall be the date of its adoption by Council.

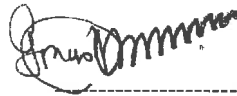
This policy takes effect on the 01st of July 2022

Policy Adopted on the Chris Hani Municipality council meeting, dated 25th May 2022

Council Resolution Number C1163

Signed by Municipal Manager:

Mr. G. Mashiyi



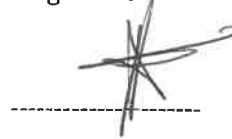
Signature

06 June 2022

Date

Signed by Speaker of the Council:

CLLR J. Cengani



Signature

07 June 2022

Date